

STATE OF WISCONSIN
DEPARTMENT OF HEALTH AND SOCIAL SERVICES
DIVISION OF MANAGEMENT SERVICES
BUREAU OF FISCAL SERVICES

ACCOUNTING POLICY

TOPIC: Contract Administration 1.0	EFFECTIVE DATE: 7/21/92
TITLE: Contract Administration for Aids/Grants	REVISION DATE: 10/31/92
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BACKGROUND

The administration of contracts between the Department of Health and Social Services and providers of services is extremely important to the success of the programs administered. Proper and effective contract administration can assure contract goals are met, identify non-performance areas, reduce payment problems and simplify audit resolution. This document is established by the Department to assist in providing effective administration of the contact/grant agreements for aids. For the purpose of this policy, aid contracts are defined as grants for local assistance and aids to organizations.

DEFINITION AND STATUTORY BASIS

Contract Administration. Contract preparation, approval, processing and monitoring of state and federal aids via a contract or legal grant agreement.

THIS INCLUDES: Identification and budgeting proper funding, drafting, negotiating, processing a contract according to the policies and procedures of the Department (including RPA process if needed), disseminating reporting instructions and reporting forms, approving and processing payments when appropriate, monitoring compliance, receiving and resolving audits, closing out contracts and assisting Department/Divisions' fiscal staff with recovering unspent or unearned state and federal funds (accounts receivable management--see **RECEIVABLES 2.0**).

1. Contract administration is one of the fundamental responsibilities for which the Department and its officials, including the Secretary, are held accountable. Section 16.53 (1) of the Statutes establishes a delegated responsibility with the head of our agency for auditing claims against the state. Section 16.52 (6) requires the Secretary of the Department of Administration and the pre-audit delegated agencies to approve contracts. Section 20.903 (1) prohibits any employee or officer of an agency from contracting or creating a liability against the state without the authority of law or in excess of the authorized budget/appropriation.

2. Section 16.54 (4), Stats, requires the Department Secretary to comply with requirements and rules prescribed by the United States Congress and federal agencies for all federal funds it accepts and administers. The Department of Administration and each agency central fiscal office are responsible for enforcing this state statute.

DESIGNATION OF CONTRACT ADMINISTRATORS

Ultimately, the Department Secretary is responsible for all contracts and reimbursement claims against the state. The Secretary has delegated the signing of grant and aid contracts to the Division Administrators (see *Administrative Directive 70*). It is the policy of the Department that the Division Administrator may in turn delegate the actual administration of contract responsibilities (as described in this policy) to a designated "contract administrator." However, the Division Administrator is accountable for each contract executed by the Division and may rescind any delegated responsibility if necessary.

Division Administrators shall clearly assign contract administration duties. A contract administrator shall be assigned the responsibilities as specified in this policy.

It should be understood that the responsibility of contract administration rests with the contract administrator even if the various duties are disseminated over a number of different people. Persons involved in contract administration should have a general understanding of the applicable DHSS published policies and procedures.

RESPONSIBILITIES OF CONTRACT ADMINISTRATION/CONTRACT ADMINISTRATORS

1. **Draft and Negotiate the Terms of the Contract or Grant Agreement.**

Standard contract/grant agreement language has been developed by most DHSS Divisions [see also **CONTRACT ADMINISTRATION 2.0 (Required Standard Contract Language)**]. These standards or models must be approved by the Bureau of Fiscal Services (BFS), Division of Management Services and should be used unless a variation is approved by BFS. Justification for any variations may be required by BFS.

The contract or grant agreement should include the following as appropriate. Most of these items will already be included in the approved standard contract model language.

- Names and addresses of all parties
- Contract period
- Method of payment
- Contract revision and or termination

- Benefit, activity, or service to be provided
- Standards of performance and evaluation
- Conditions of the parties' obligations
- Completion and submittal deadlines

- Other reporting
- Accounting and auditing provisions
- Forms and instructions for fiscal reporting and due dates
- Sanctions and cross reference to audit resolution policy of the Department
- Compliance to state and federal rules and regulations
- Eligibility standards
- Record retention
- Indemnity and insurance
- Affirmative Action/Civil Rights
- Resolution of dispute

2. **Apply and Enforce Applicable Policies (See attached Reference Sheet).**

The Contract Administrator shall assure that the contract/grant agreement is complete and that compliance with **CONTRACT ADMINISTRATION 3.0 (Review of Contract Financial Provisions)**, **CONTRACT ADMINISTRATION 2.0 (Required Standard Contract Language)**, **CONTRACT ADMINISTRATION 4.0 (CARS Documents)**, and other applicable policies is accomplished. (These policies are available in operations and budget offices of divisions and each office and bureau.)

Contracts should not be presented to the provider of services for signature until the Bureau of Fiscal Services has approved the pre-contract packet (See **CONTRACT ADMINISTRATION 2.0** for pre-contract packet definition and instructions.)

Please Note: Contracts that are subject and result from the procurement process must follow the procurement and RPA procedures as applicable. The process needs to incorporate all necessary procurement issues and financial contract requirements. Therefore, it is important for the contract administrator to coordinate the procurement and contracting policies described here where necessary.

3. **Timeliness of Contract Development and Approvals.**

Pre-contract packets should be submitted early enough for the review process to be completed prior to the actual signing of the contract/grant agreement. The timeliness of submission assures that the contracts/grant agreements will be set up in the Community Aids Reporting System (CARS) prior to the start of the contract/grant agreement period in order to process the prepayment at the proper time.

Signed contracts are due in the CARS Unit by the 5th of the month preceding the month of the prepayment (except signed contracts for the period beginning January 1, are due November 30). Payment processing and keying is usually done during the second week of the month preceding the prepayment date (first week of prepayment month). Divisions shall establish deadlines for this process.

It is incumbent upon the contract administrator or other designated person to begin the contracting and pre-contract packet process early enough to accommodate all of the necessary procedures and approvals required. Generally this process should begin not less than 60 to 90 days prior to the day the first prepayment check is to be issued. This allows one month for contract development and review, one month for contract signing, and one month for processing in CARS.

BFS is responsible for notifying divisions of approval or rejection of pre-contract packets within 14 days (10 working days) of receipt. BFS is also responsible for ensuring that signed contracts (with previously approved pre-packet) received by the 5th of the month preceding the first month of the contract period (November 30th for contracts beginning in January) will receive the correct prepayments on time.

4. **Final Processing Steps.**

The contract administrator shall submit the contract/grant agreement to the provider for signature after the pre-contract packet has been approved by the Bureau of Fiscal Services, Division of Management Services. See **CONTRACT ADMINISTRATION 3.0** for the approval process. After following internal division procedures, a copy of the signed contract shall be sent to the CARS Unit in the Bureau of Fiscal Services. **This copy will not be returned.** Other arrangements may be negotiated with the Bureau of Fiscal Services.

5. **Oversight of Contractor/Grantee Performance.**

Contract administrators shall take those steps necessary throughout the course of the contract period to ensure that services are provided in accordance with contract/grant agreement specifications. These steps can include one or more of the following:

- Evaluation component established up front to measure performance
- Review of reports
- Site visits
- Corrective action

6. **Administration of Federal Funds.**

A significant portion of the funding provided to the Department of Health and Social Services is provided by the Federal Government. The Federal Government and the Wisconsin Statutes [s. 16.54 (4)] require all state agencies to comply with the acts of congress making federal appropriations available and to comply with the rules and regulations which may be prescribed by the United States government or by the agency of the federal government making such funds available.

It is incumbent upon the department and each contract administrator to assure that the federal funds used to fund any of these contracted services are appropriately applied.

7. **Review Audit Reports of Providers.**

The contract administrator should: (a) review the audits of providers for which the administrator has responsibility; and (b) be knowledgeable of audit review and resolution policies and procedures established by the Department and/or the Division. Where appropriate and required by policy or by the nature of audit findings, the contract administrator may need to participate in developing corrective action plans, including scheduling repayment and monitoring implementation of procedures to correct internal control deficiencies and compliance problems.

REFERENCES

Wisconsin Statutes, sections 16.53(1), 16.52(6), 16.54(4), 20.903(1),
46.031, 46.036, 46.037, and sections 946.10 through
946.13

Administrative Directive 70

CONTRACT ADMINISTRATION 2.0 (Required Standard Contract Language)

CONTRACT ADMINISTRATION 3.0 (Review of Contract Financial Provisions)

CONTRACT ADMINISTRATION 3.1 (Prepayment Criteria)

**CONTRACT ADMINISTRATION 4.0 (Submission of Profiles, Contracts, Budget
Documents and Expense Reports to BFS)**

RECEIVABLES 2.0 (Correction and Write-Off of Accounts Receivable)

ATTACHMENTS

- 1 DHSS Contracting--Fiscal Policies and Procedures Reference Sheet
(Cites statutory references and applicable Department
Accounting Policies and Procedure Bulletins)
- 2 Suggested Time Lines for Processing CARS Contracts.

CONTACT PERSONS

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**DHSS CONTRACTING
FISCAL POLICIES AND PROCEDURES REFERENCE SHEET**

STATUTORY REFERENCES

Accountability, State Fiscal Policies and accounting requirements or state and federal funds are all basic to good contracts. These expectations are spelled out in numerous state and federal documents which need to be understood and researched by personnel responsible for contracts. The following are some general references and basic policy documents.

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| 1. | Wis. Statutes 46.036 | Covers purchase of services provisions, pre-payments limits, contract required, allowable costs, audit requirements. |
| 2. | 46.037 | Child caring institution rates. |
| 3. | 46.031 | State/County contracts. |
| 4. | 20.903 (1) | Expectations of state employees regarding the creation of a liability or debt against the state. |
| 5. | 16.54 (4) | State employees responsibility to comply with federal grant requirements if accepting and allocating federal funds. |
| 6. | OMB A-87;
Federal Regulations;
45 CFR 92;
45 CFR 74 & other
codes applicable to
specific programs | Allowable costs and requirements that reimbursable items in contracts be actual costs incurred. |
| 7. | Wis. Statutes
946.10 through 946.13 | Description of misconduct and penalties related to public officials. |

DEPARTMENT POLICIES AND PROCEDURES

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| 1. | CONTRACT ADM 3.0 | Basic requirements for contract review and financial provisions in Departmental contracts; clearance through Preaudit. |
| 2. | CONTRACT ADM 3.1 | Policy on how to handle payments and requests for pre-payments to vendors for aids and grants; allows grants \$2,000 or less to be paid in any reasonable/documented way. |
| 3. | CONTRACT ADM 2.0 | Provides standard contract language for fiscal provisions on accounting, payments, audits; |

applies to aid/grant contracts for non-county vendors.

4. CONTRACT ADM 4.0

Standard procedures on how to submit budget, contract data for the CARS system; very important procedures to meet system processing and business requirements.

SUGGESTED TIME LINES FOR PROCESSING CARS CONTRACTS

Copies of signed contracts must be in the CARS unit no later than the 5th of the month prior to the first month of the contract period in order to generate the first prepayment check for mailing on the time line below (depending on the type of agency).

EXCEPTION: The copy of the signed contract must be in the CARS unit by November 30 if the contract period begins on January 2.

The following suggested time lines will allow sufficient time for processing the necessary paper work.

Pre-Packet to BFS	July 1	Three months prior to contract start date
Pre-Packet Returned to Contracting Division	July 15	Within 10 working days
Print or Type Final Contracts	July 30	Two and one-half months prior to contract start date.
Contract to Agency For Signature	August 1	Two months prior to contract start date.
Agency Sign and Return contract	Sept. 5	Processing deadline
Contract entered, system Run and First Payment Processed	Sept. 5 - Sept. 28	
First Payment mailed to Agency	Sept. 30 OR October 4	(For Receipt October 1) (For Receipt October 5)

Depending upon the contract and the type of agency, the time line may be shorter if less than 30 days are needed to secure the signature on the contract. If a board must be convened to authorize the contract, more time will be needed than if the agency director is authorized to sign for the agency.

If less than 15 days is needed to type or print the final contracts after all internal approvals have been obtained, then the time line could be shortened accordingly.

If the pre-packet is not acceptable as submitted, additional time may be required to resolve problems/issues.

The time to complete the above process is expected to require 60 to 90 days.

Securing a RPA may require significantly more time. Guidance on procurement requirements is provided by DOA Procurement and DHSS Office of Purchases and Services and division staff.